



[Times for Market News International stories are ET]

07:05 11/05 UK: Reported comments from UK officials Monday,

**\*\* UK DARLING:** Must keep Citibank news in perspective

- Believe banks will be more cautious in new lending
- Downgrade in UK economic forecast based on slowed lending
- Believe UK economy strong and 'we will get through'
- Confirms Treasury to review Northern Rock situation in Feb

06:45 11/05 **EUROZONE:** Reported comments from eurozone officials Monday,

**\*\* ECB TRICHET:** Reported saying (France2 programme/Rtrs),

- Appreciates US comments on strong dollar
- Also appreciates Japan saying economy doing better and yen should progressively reflect this.
- Financial economy risks underestimated in the past, but a correction is under way.
- Appreciation of financial risks probably not at level of real risks.

**\*\* GERMANY: Ifo Nerb;**

- Business sentiment unlikely to drop as much as 2001-02
- Full order books should cushion Ifo business sentiment
- Euro FX strength 'major point' for most companies
- Euro biggest German economic risk; oil second biggest
- Job market to improve more; weak construction a worry.

07:25 11/05 **GILT SUMMARY:** Similar situation to EGBs market with a 1.4% fall in the FTSE 100 fuelling a rise in the Dec Gilt to a 108.05 high. UK data released today was weak with the Oct PMI services index slipping sharply to 53.1 from 56.7, while manufacturing output fell 0.6% m/m in September, well below the median forecast for a rise of 0.1%. Industrial production was down 0.4% against expectations for a 0.2% increase. The 108.05 high saw a similar push over the 17 Sep resistance line (107.95), though the UK market also faces the marked bear-divergence that is evident in the Bund. Nearby, main resistance is 108.06/09.

07:13 11/05 **EGB SUMMARY:** Equity markets continue to lead bonds with declines of around 1% on the main European bourses supporting bonds from the start of trade. The Citigroup announcement weighed on equities, boosting the Dec Bund future to a session high of 114.17 so far, pushing the Bund over a resistance line from 10 Sep at 114.04 but just shy of main resistance from 114.23. Some cash sellers have been seen this morning in Europe, said to be adjusting positions ahead of Thursday's supply from France of approximately E3.25bln. Thursday's auction is of the 4.25% Oct 2017 and 4.00% April 2055. Overall, net cash flows turn negative to the tune of E2.0-2.5bln vs +E21.79bln last week.

(Cont.)

06:49 11/05 **EUROZONE: Data** released in the eurozone Monday,

**\*\* GERMANY:** October nominal new car registrations -4.0% y/y

- Jan-Oct nominal new car registrations -8.0% y/y
- Oct nominal car output +11.0% y/y; exports +11.0% - VDA
- \*\* GERMANY:** Construction Assoc;
- Cuts 2007 Nominal sales forecast to +1.5% vs +3.0%
- Sees nominal sales stagnating in 2008
- \*\* SPAIN:** Oct unemployment +1.55% m/m; Sep -0.54%
- \*\* SPAIN:** Oct consumer confidence 76.2 vs Sep 80.2

06:29 11/05 **JGBs:** (recap) No great lead from JGBs overnight, which ended narrowly mixed, slipping from their best levels in late trade. However, volumes and flows were seen as muted, with few players prepared to open fresh trading positions at current levels. Prices were higher from the getgo, helped by weaker stocks and further market concerns over the state of the global credit markets. Demand was seen as mainly local accounts, with offshore players absent.

06:53 11/05 **JAPAN: Reported comments from Japanese officials Monday...**(1),

**\*\* BOJ FUKUI:** To watch forex, long term rates for overseas risks

- Overall Japan sentiment more fragile than before
- To keep policy of hiking interest rates gradually
- Real rates very low, tend to boost activity
- Japan core CPI to turn zero from -0.1% y/y very soon
- Watching if emerging economies absorbing US slowdown
- China may be hit by US slowdown undercurrent
- \* BOJ not hurrying rate hikes
- Must watch both upside and downside risks
- Repricing of risks is way to more normal conditions
- Not too optimistic nor pessimistic in policy making
- Orderly repricing of risks good for economies
- Cen banks need to keep in close touch on risks